

Regional Comprehensive Economic Partnership (RCEP):

Key Features and Challenges

Dionisius Narjoko

Senior Economist

Economic Research Institute for ASEAN and East Asia

June 2023



Economic Research Institute for ASEAN and East Asia



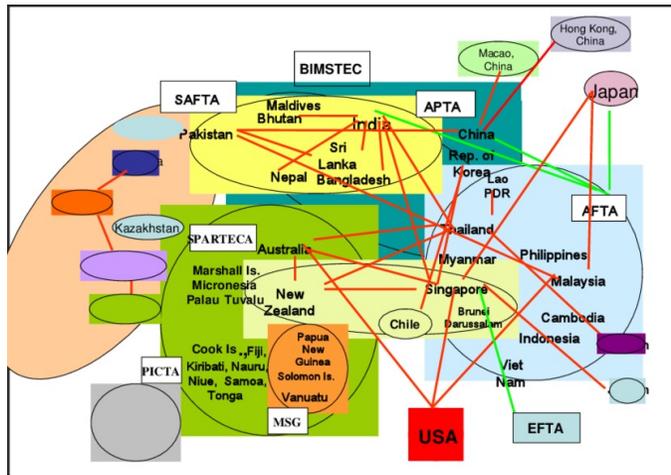
© ERIA,

.All rights reserved.

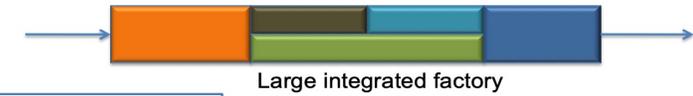
What motivate RCEP?

A platform for deeper regional integration

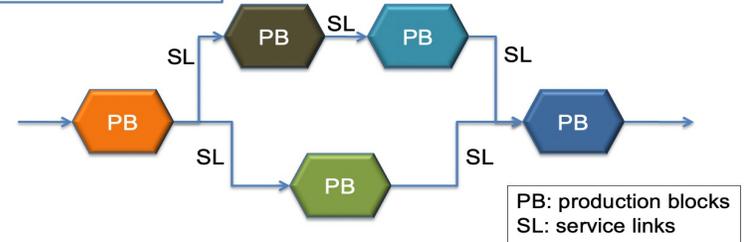
- Global and regional threats: the rise of China, failure of WTO, etc. Geopolitics in the region.
- **Already established production networks.**
- Noodle-bowl phenomenon
- Broader ASEAN integration → East Asia integration



Before fragmentation

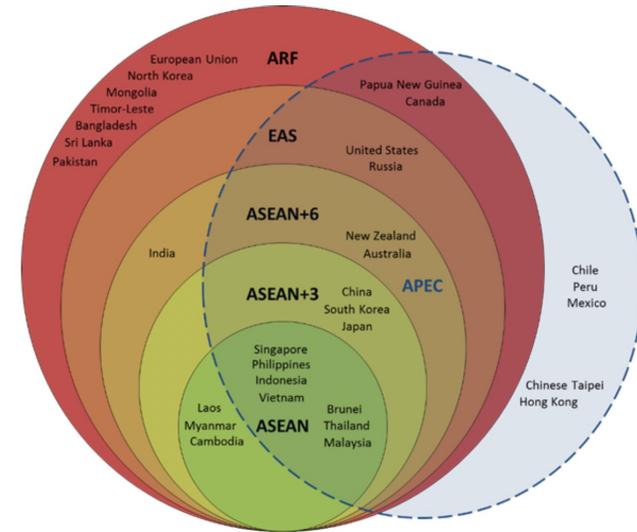


After fragmentation



Fragmentation of production (Jones and Kierzkowski (1990))

ASEAN centrality and variable geometry



Source: Armstrong (2020)

Key features of RCEP

- A mega FTA **consistent** with ASEAN process:
 - Accommodate the **broader ASEAN integration** (ie. 'ASEAN expansion').
 - Built on **ASEAN Centrality** and **AEC**, incl. the learning from ASEAN Plus-One FTAs.
- Promote and facilitate GVC or IPN, that is ROO, self-certification, services.
- **Flexible and 'Open-minded'** agreement (eg. concession for ASEAN LDCs, preparation time, 'living document', ecommerce, no ISDS in investment).
- The first **FTA for CJK** (China-Japan-Korea). Greater support for GVC; promote geopolitics stability.
- Help to manage the big powers – China and US relationship.

Cumulation effect for GVC

- Allows the inputs produced in other member countries of the RTA to be regarded as those produced in the exporting country.
- The RCEP results in expanding the area of originating inputs.
- More possible to comply with RoOs in the RCEP

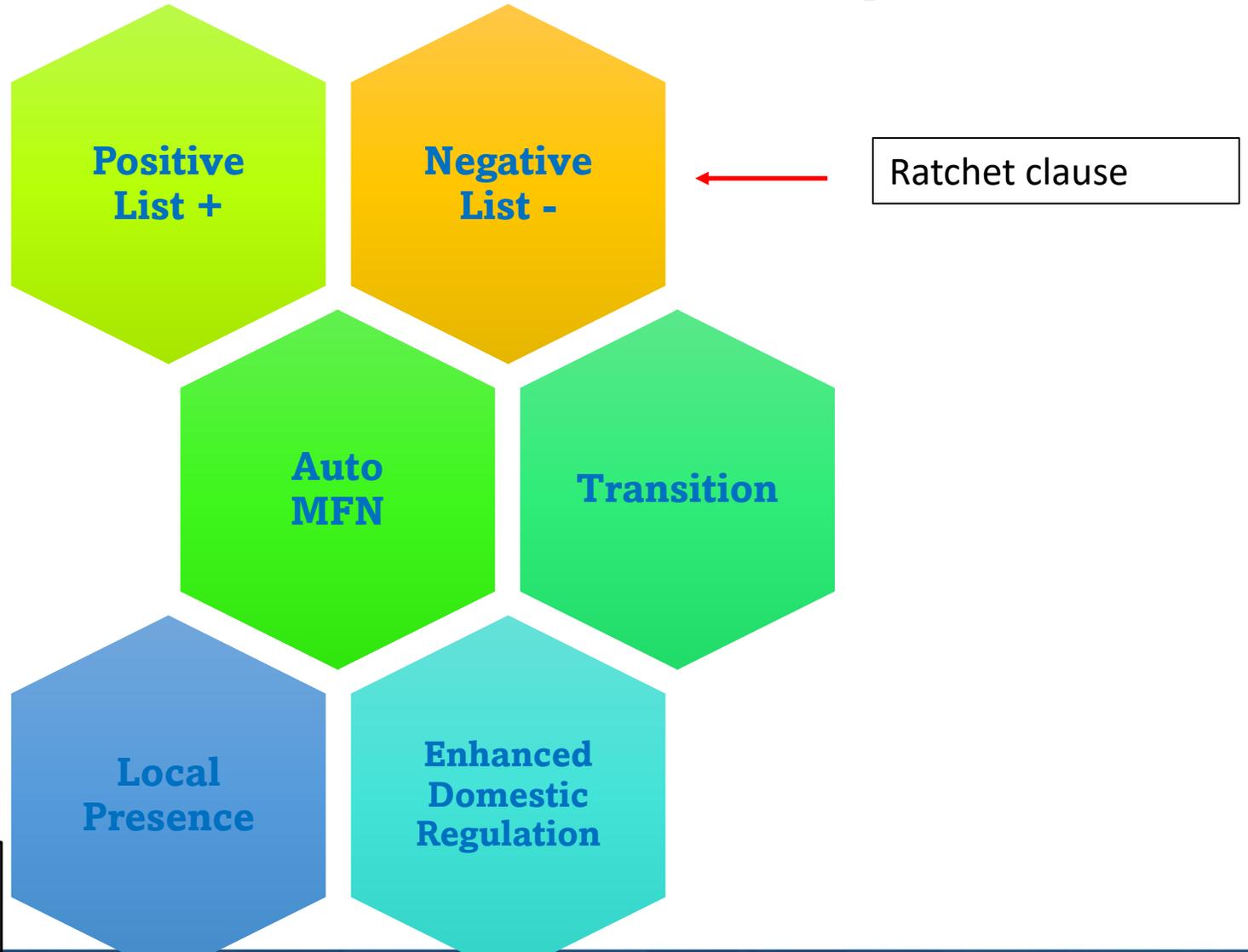
Horizontally-linked Supply-chains



- The inputs imported from CHN/JPN under non-RCEP regime may not comply with RoOs in the RCEP in exporting to MYS.
- The inputs imported under the AJCEP (ACFTA) regime are not regarded as ACFTA-originated (AJCEP-originated) inputs.

Source: adopted from Hayakawa (2022).

Key Features under RCEP Services Chapter



Source: adopted from Serafica and Ramli (2022).

Key features in RCEP e-commerce chapter

1. **Not enforceable**, relies on broad obligations, cooperation, revisit in general review and a party can choose to make it enforceable
2. Data location rules are subject to **self-judging security** exception
3. Data location rules' legitimate public policy exception makes "**necessity**" of such measures self-judging
4. **Moratorium** on customs duties on e-transmissions remains temporary and linked to WTO
5. Not prohibit requirements to disclose **source code**
6. Not restrict **local preferences** for digital products and content
7. Tax exception protects **tax measures** from WTO+ rules
8. **Procurement** carveout covers both process and substance
9. **Transparency** is ex-post, not prior comment on proposed measures

Source: adopted from Kelsey (2022).

Challenges for RCEP

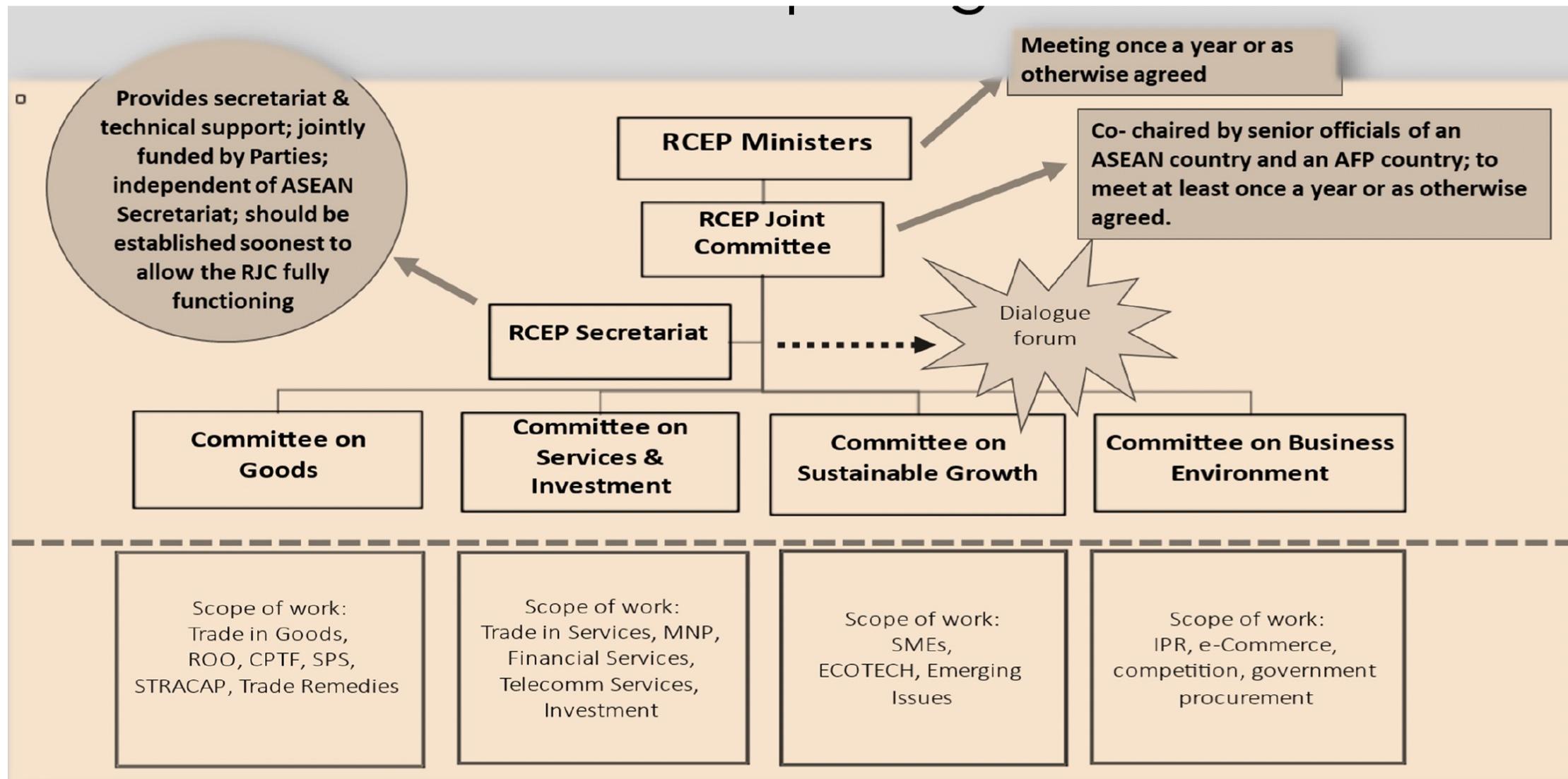
- Addressing the next steps:
 - Progress with the built-in agenda (eg. refining the liberalization commitments).
 - Find complementarities with ASEAN's **agenda**, especially the **AEC's**.
 - Ensure **effective and efficient implementation** of the agreement's commitments.
 - Ensure the relevance of RCEP to the changing global and regional issues, especially for the moment are post pandemic situation, greater global uncertainty, and global movement towards protectionism.

Institutional aspect of RCEP

- RCEP's entry into force on 1st January 2022 is critical as it marks a strong signal by countries in the region to keep economic environment **predictable with renewed and legally binding commitments**.
- All this also allowed by the institutional arrangement in RCEP, which – in theory - allows the agreement to be mindful and responsive to changing global or regional environment.
- Chapter 18 on Institutional Provisions of the RCEP Agreement set the institutional setting within RCEP, that mandates the creation of RCEP Joint Committee (RJC) and its subsidiaries body, including the RCEP Secretariat.

Source: adapted from Pambagyo and Gultom (September 2022).

- The chapter allows RJC to have **active engagement with stakeholders**, especially business and including academia. **Flexible** and **'Open-minded'** agreement; **'living document'**.



Thank you

www.eria.org

Economic Research Institute for ASEAN and East Asia



© ERIA,

.All rights reserved.